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1994/10/17

1. On 12 October 1994, Dr. Perry and Minister Ding signed the minutes of the first US/China Defence Conversion Commission meeting (Tab 1). During the meeting, both sides agreed to cooperate on air traffic control.
2. The US goals for this conversion initiative are:
 - a. Facilitate the transfer of control over Chinese airspace from the military to the civil authority, thereby opening more airspace for safe civil use.
 - b. Facilitate US industrial goals in China.
 - c. Use this cooperation as one of our initial US/China mil-to-mil activities.
3. Currently, the Chinese civil authority controls very little of the Chinese airspace. All airspace decisions are made by the People's Liberation Army Air Force (PLAAF). Unlike the U.S. military, the PLAAF are not equipped or trained to provide ATC services to civil aircraft. Any hope of opening up more Chinese airspace for civil use is dependent on institutional decisions within China to transfer authority over airspace from the military to the civil authority.
4. In large part, the second goal is dependent on the success of the first goal. There are four distinct industrial sectors that stand to benefit if we are successful in accomplishing this first goal. Tab 2 outlines the US industrial sectors that have a major stake in the outcome.
5. To accomplish our goals, we propose a seven step program (Tab 3) for execution between now and the next meeting of the U.S.-China Defence Conversion Commission scheduled for November 1995.
6. In addition to the seven bilateral steps, recommend, the following multilateral steps be undertaken.
 - a. Actively encourage Chinese civil and military officials to participate in the Russia/America Coordinating Group on Air Traffic (RACGAT) meetings. In addition to Russia and the US, Japan participants and Chinese civil officials

sporadically participate. Routine Chinese civil and military participation will facilitate border crossing point negotiations and expose the Chinese military to the openness of Western airspace. (Lead-U.S. Embassy DATT Beijing.)

b. Engage the Chinese in a constructive dialogue at all available ICAO fora to encourage greater openness and civil access to airspace (Lead-FAA).

7. RECOMMENDATION: USD/P approve seven step plan as outlined in Tab 3

3 Tabs

1. Defence Conversion Meeting

Minutes

2. Industrial Sectors

3. Seven Step Plan

U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION
MINUTES OF THE FIRST MEETING-BEIJING, OCTOBER 17, 1994

The first meeting of the U.S.-China Joint Defense Conversion Commission (known hereinafter as the "Joint Commission") took place in Beijing on October 17, 1994. The delegation from the government of the United States of America was led by William J. Perry, Secretary of Defense. The delegation from the government of the People's Republic of China was led by Ding Henggao, Minister of the Commission of Science, Technology, and Industry for National Defense.

The list of the participants in this meeting from both sides is at Appendix I.

The Joint Commission conducted talks in a friendly atmosphere and successfully completed the work of this first meeting.

The meeting minutes are as follows.

1. Both sides believe that this Joint Commission's goal is to facilitate economic cooperation and technical exchanges and cooperation of both countries in the area of defense conversion, and to maintain regular contact via a government channel to resolve the problems which arise in the process of this cooperation. This Joint Commission will also explore new cooperation areas and avenue.

2. Both sides adopt the document "Structure and Procedures of the U.S.-China Joint Defense Conversion Commission." (Appendix II) This document will guide the procedures and structure of the Joint Commission. Both sides also adopt the document "Statement of Principles of the U.S.-China Joint Defense Conversion Commission," (Appendix III), which will guide the work of the Joint Commission.

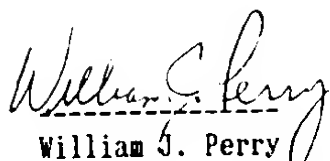
3. A. Both sides will begin preliminary cooperation in the area of air traffic control system and technology. Details of the cooperation will be studied and decided upon by the U.S. Federal Aviation Agency and relevant organizations of the People's Republic of China. Both co-chairmen agree that the Joint Commission will support and facilitate this program.

B. Both sides will also begin to strengthen the cooperation in areas such as: training of defense conversion high-level managers; environmentally-safe vehicles.

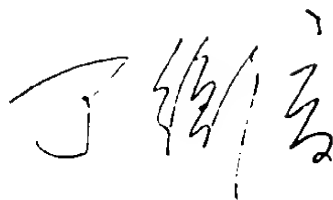
4. The U.S. side requests that China provide a list of defense enterprises which are interested in joint ventures in civilian production. The U.S. will publicize this list. China requests that the U.S. provide some information regarding U.S. businesses interested in cooperation with China in defense conversion.

5. Both sides will mutually explore other possible areas of cooperation and also to hold the second meeting of the Joint Commission in Washington at an appropriate time.

This minutes is signed in Beijing on October 17, 1994, with two copies, one in English and one in Chinese.



William J. Perry
United States of America
Secretary of Defense
U.S.-China Joint Defense
Conversion Commission
Chairman for the United States



Ding Henggao
People's Republic of China
Minister, COSTIND
China-U.S. Joint Defense
Conversion Commission
Chairman for P.R.China

U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION
MINUTES OF THE FIRST MEETING-BEIJING, OCTOBER 17, 1994

Appendix I

U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION
NAME LIST OF PARTICIPANTS OF THE FIRST MEETING

PARTICIPANTS FROM U.S. SIDE

1. Dr. William J. Perry	Head of U.S. Delegation, Secretary of Defense, U.S. Co-chairman
2. Barry Carter	Principal Undersecretary of Commerce
3. Joseph Nye	Assistant Secretary of Defense for International Security Affairs
4. Winston Lord	Assistant Secretary of State for East Asia and Pacific Affairs
5. Stanley Roth	Special Assistant to the President, Senior Director for Asian Affairs
6. Mike Nacht	Assistant Director, ACDA
7. Mitch Wallerstein	Deputy Assistant Secretary of Defense
8. Maj.Gen.David McIlvoy	Office the Joint Chiefs of Staff, Deputy Director for Politico-Military Affairs
9. Dr. Eden Woon	Executive Secretary, Office of Secretary of Defense
10.Ms. Susan Long	Special Assistant, OSD
11.Thomas Becherer	Business Liaison,ODS
12.Frank Colson	Executive Director, DOD Policy Board on Federal Aviation
13.Major General Paul Kern	Military Aide, Secretary of Defense
14.Bob Hall	Special Assistant to the Secretary of Defense
15.Mr. Bacon	Asst. to Secretary of Defense for Public Affairs
16.Ambassador Stapleton Roy	
17.BG Michael T. Byrnes	DATT
18.Ltc. Dennis J. Blasko	ARMA
19.Michael Finegan	Political/Military officer, U.S. Embassy
20.Fred Lee	Senior Representative for the Federal Aviation Administration, U.S. Embassy
21.Jim Brown	U.S. Embassy Interpreter

OBSERVERS:

22.Mr.Richard Collins	Senate Staff
23.Mr.Steven Cortese	Senate Staff
24.Ms.Margaret Sullivan	Assistant for White House Affairs
25.Dr.John Lewis	Stanford University, Civilian Consultant to SECDEF

SUPPORTS:

26.Col. Joe Shaffer	Trip Coordinator
27.Helene Stikkel	Photographer
28.Mr. Roland Jackson	Security
29.Mr. Christopher Olvera	Secutity

PARTICIPANTS FROM CHINESE SIDE:

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| 1. Ding Henggao | Head of Chinese Delegation, Minister of COSTIND, Chinese Co-Chairman |
| 2. Huai Guomo | Vice Minister of COSTIND |
| 3. Ma Zhengang | Director of America-Oceanica Department, Ministry of Foreign Affairs |
| 4. Yu Zhonglin | Director of Defense Department, The State Planning Commission |
| 5. Tang Xinmin | Director of Department of Science and Technology Achievements, The State Science and Technology Commission |
| 6. Jiang Xiaopei | Deputy Director of Technical Renovation Department, The State Economy and Trade Commission |
| 7. Maj. Gen. Hou Gang | Deputy Director of the Intelligence Department, Headquarters of General Staff of the Chinese PLA |
| 8. Deng Yousheng | Deirector of Foreign Affairs Department, COSTIND |
| 9. Yao Wenping | Devison Chief, Science and Technology Department Ministry of Foreign Trade and Economic Cooperation |
| 10. Ju Jian | Executive Secretary, Division Chief, Foreign Affairs Department, COSTIND |
| 11. Feng Hui | Business Liaison, Foreign Affairs Department, COSTIND |
| 12. Maj. Gen. Fu Jiaping | Director of Foreign Affairs Bureau, Ministry of Defense |
| 13. Maj. Gen. Chen Kaizeng | PRC DATT |
| 14. Liu Xiaomin | Councilor, America-Oceanica Department, Ministry of Foreign Affairs |
| 15. Su Xuguang | Division Chief, General Office, COSTIND |
| 16. Sr. Col. Du Xingtian | Division Chief, FAB, Ministry of Defense |
| 17. Su Wenli | Deputy Division Chief, Budget and Planning Department, COSTIND |
| 18. Liu Yongen | Deputy General Secretary, CAPUMIT |
| 19. Sr. Col. Ge Yunsong | FAB, Ministry of Defense |
| 20. Col. Qian Lihua | FAB, Ministry of Defense |
| 21. Col. Yuan Xiaocheng | Chief of Security, Ministry of Defense |
| 22. Zou Yijun | Interpreter, Ministry of Foreign Affairs |
| 23. Wang Feng | General Office, COSTIND |
| 24. Lu Yongxin | FAD, COSTIND |
| 25. Cui Yu | FAD, COSTIND |

SUPPORTS:

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| 26. Zhang Tongsheng | Photographer, COSTIND |
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U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION
MINUTES OF THE FIRST MEETING-BEIJING, OCTOBER 17, 1994

Appendix II

STRUCTURE AND PROCEDURES OF
THE JOINT DEFENSE CONVERSION COMMISSION OF THE
UNITED STATES OF AMERICA AND THE PEOPLE'S REPUBLIC OF CHINA

The United States of America and the People's Republic of China, desiring to promote the cooperation between the two countries in defense conversion, have decided to establish the Joint Defense Conversion Commission of the United States of America and the People's Republic of China (hereinafter referred to as the "Joint Commission") and to adopt the following.

Section One Purposes

The Joint Commission has the following purposes: to facilitate economic cooperation and technological exchanges and cooperation between the two countries regarding defense conversion, to maintain regular contacts through government channels, and to address issues that occur in the course of cooperation and explore new areas of and approaches to cooperation.

Section Two Organization

The Joint Commission is composed of the Chinese and American sides. Each side has a chairman, members, and an executive secretary on the Commission. The chairman of each side will inform the other side of the Commission members of each side and of any change in members. The Joint Commission may set up, as needed, ad hoc special working groups which may function in accordance with this document.

Section Three Operating Procedures

The meetings of the Joint Commission will convene as deemed necessary by both chairmen, the site to rotate between the two countries. The commission meetings are presided over by the co-chairmen. In the absence of the co-chairmen, the meetings shall be presided over by Commission members designated by them. One or two months prior to the meeting, both sides will discuss and agree on the date of the meetings and exchange preliminary proposed agenda for the meeting. The executive secretaries and the working groups of the two sides will make preparations for the meetings and agree in principle on the meeting minutes one month before the meeting starts.

The Joint Commission will review at its meeting the items on the agenda and relevant issues for discussion as agreed between

the co-chairmen.

The decisions agreed upon by both sides in the meeting will be written into the meeting minutes and will go into effect after the meeting minutes are signed by the co-chairmen.

If one side of the Joint Commission needs to obtain the approval of the relevant government department of its country for a decision recorded in the meeting minutes, the decision in question will become effective after the chairman of the side informs the other side of its approval.

The minutes of the Joint Commission will be written in Chinese and English, both versions being equally authentic. The appendixes of the meeting minutes constitute an integral part of the meeting minutes.

Section Four The Duties of the Executive Secretary

The executive secretary of each side will be a member of the Joint Commission, be responsible for daily work, coordinate the activities of the special working groups, prepare the documents for the meetings of the Joint Commission, and fulfill other duties in connection with the activities of the Joint Commission.

The executive secretaries of both sides will maintain contact with each other.

Section Five Expenditures

Except as otherwise agreed, each side will be responsible for all costs that its members incur.

Section Six Amendments

With the agreement of both sides, the Joint Commission may revise and amend this document.

Section Seven Effective Date

Dating from October 17, 1994, the Joint Commission will be in operation for five years. Unless one side informs the other of its desire to terminate the Commission at least six months prior to its expiration, then the Commission shall be extended for 5 additional years. The Commission may be terminated by either side upon six months written notice.

U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION
MINUTES OF THE FIRST MEETING-BEIJING, OCTOBER 17, 1994

Appendix III

STATEMENT OF PRINCIPLES
U.S.-CHINA JOINT DEFENSE CONVERSION COMMISSION

The United States of America and the People's Republic of China, recognizing that the peaceful use of military industrial technology is in the economic and national security interests of their peoples, declare their intention to promote cooperation in their defense conversion efforts. To this end, and the United States of America and the People's Republic of China have established a U.S.-China Joint Defense Conversion Commission to promote the orderly use, for peaceful purposes, of defense industrial, technological and scientific facilities and personnel not needed for defense requirements to satisfy the requirements of civil society.

The Joint Defense Conversion Commission will provide a senior channel of communication between the Governments of the United States of America and the People's Republic of China to promote mutual understanding of, and cooperation on, issues relating to the defense industry, including:

- * facilitating contacts between the industries of the two countries and promoting appropriate industrial partnerships, technological relationships, and investment by American firms in China, and by Chinese firms in the U.S.;
- * sharing experiences and lessons from defense industry conversion in the two countries;
- * rationalizing defense science, technology, and industry conversion planning and management appropriate for peacetime;
- * addressing issues of personnel, equipment, and production of defense industry related to the defense conversion cooperation between the two countries.

The Joint Commission will also explore new areas of and approaches to the cooperation.

INDUSTRIAL SECTORS INTERESTED IN
U.S.-CHINESE ATC COOPERATION
UNDER THE
U.S.-CHINESE DEFENCE CONVERSION COMMISSION

1. U.S. ATC Equipment Manufacturers. China needs a complete ATC system to include primary and secondary radars, communication, both ground/ground and air/ground, navigation systems and ATC automation. The value of the investments could easily exceed \$1B over 10 years. Currently, civil ATC only control three terminal areas, Beijing, Shanghai and Guangzhou. This investment in ATC modernization will not take place unless control over Chinese airspace is turned over to the civil authority and civil access is allowed. U.S. manufacturers should be well positioned for a large share of this work.
2. U.S. Air Frame Manufacturers. The current lack of air traffic control capability and civil access has severely constrained China's ability to absorb additional aircraft. Most agree there is great pent up demand for air travel both within China and to/thru China that cannot be accommodated due to ATC and airspace constraints. Increasing ATC capacity will allow China to utilize and purchase more airplanes. U.S. manufacturers should be well positioned to benefit from those purchases.
3. Airport and Terminal Design Firms. An increase in domestic and international traffic will create a demand for new and expanded civil airports and terminal facilities. U.S. firms should be well positioned to benefit from this work.
4. U.S. Airlines (United, Northwest, Evergreen and Others.) Could significantly reduce operating costs of flights to China and other points in Asia such as South Korea and Thailand Hong Kong if Chinese airspace was opened and more direct

routes were made available. The airlines indicate operating costs could be reduced by millions of dollars per year if desired routings were made available and ATC delays were eliminated by the Chinese.